



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
GENETIC TESTING FUND
YEAR ENDED JUNE 30, 1979**

**REPORT TO THE
CALIFORNIA LEGISLATURE**

REPORT F-515-203

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

515-203

FINANCIAL AUDIT REPORT
GENETIC DISEASE TESTING FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

S. FLOYD MORI
CHAIRMAN

November 21, 1980

515-203

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Genetic Disease Testing Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; Robyn Graves; and Harriet Kiyan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. Floyd Mori".

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	2
FINANCIAL STATEMENTS	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	4
NOTES TO THE FINANCIAL STATEMENTS	5

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Genetic Disease Testing Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Genetic Disease Testing Fund was created by Chapter 1112 of the Statutes of 1975 to be a depository for fees charged for testing children born in California for preventable heritable disorders leading to mental retardation or physical defects.

Chapter 1037 of the Statutes of 1977 allows the Director of the Department of Health Services to set a fee at a level sufficient to cover the actual testing and other program costs. Further, this chapter allows for loans from the General Fund to the Genetic Disease Testing Fund to finance the program until the genetic disease testing begins. The loans are to be repaid no later than June 30, 1982.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Genetic Disease Testing Fund as of June 30, 1979, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Genetic Disease Testing Fund at June 30, 1979, and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wesley E. Voss
WESLEY E. VOSS
Assistant Auditor General

Date: March 31, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Ross Luna
Robyn Graves
Harriet Kiyan

STATE OF CALIFORNIA
GENETIC DISEASE TESTING FUND

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$ 5,403
Total Assets	<u>\$ 5,403</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Due to the General Fund (Note 2)	\$ 781,762
Total Liabilities	<u>781,762</u>
Fund Balance (Note 2)	<u>(776,359)</u>
Total Liabilities and Fund Balance	\$ 5,403

The notes to the financial statements are an integral part of
this statement.

STATE OF CALIFORNIA
GENETIC DISEASE TESTING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Charges for services (Note 3)	\$ <u> -- </u>
Expenditures:	
Program expenditures	<u>592,459</u>
Total Expenditures	<u>592,459</u>
Excess of Expenditures over Revenues	(592,459)
Fund Balance - July 1	<u>(183,900)</u>
Fund Balance - June 30	<u><u>\$ (776,359)</u></u>

The notes to the financial statements are an integral part of
this statement.

STATE OF CALIFORNIA
GENETIC DISEASE TESTING FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Genetic Disease Testing Fund. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type. Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. Special Revenue Funds are a Governmental Fund Type.

The Genetic Disease Testing Fund is a Special Revenue Fund established for collecting fees and disbursing monies to support a program for testing children born in California as established by Section 309 of the Health and Safety Code. The tests are designed to detect preventable, heritable disorders leading to mental retardation or physical defects. The Genetic Disease Testing Fund is maintained on a modified accrual basis of accounting. These are some of the significant elements:

Income

Throughout the fiscal year income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, these accounts are adjusted to accrue earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payments are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

2. DUE TO THE GENERAL FUND

At June 30, 1979, the Genetic Disease Testing Fund owed \$781,762 to the General Fund. The \$781,762 includes:

- \$551,177 for loan advances authorized by Chapter 1037 of the Statutes of 1977. The loan advances fund program expenditures until the program is operational and until fees are collected from participants in the program;
- \$230,585 for goods and services initially paid by the General Fund. During fiscal year 1979-80, the Genetic Disease Testing Fund borrowed an additional \$369,196 both to pay off all outstanding obligations for 1978-79 and to provide additional working capital for 1979-80 obligations.

3. REVENUES

Participants in the program will not be charged a fee for the genetic tests until December 1980 when the program should become fully operational. The fee will be sufficient to fund ongoing operations as well as to provide for repayment of all General Fund loans by June 30, 1982.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research.
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps